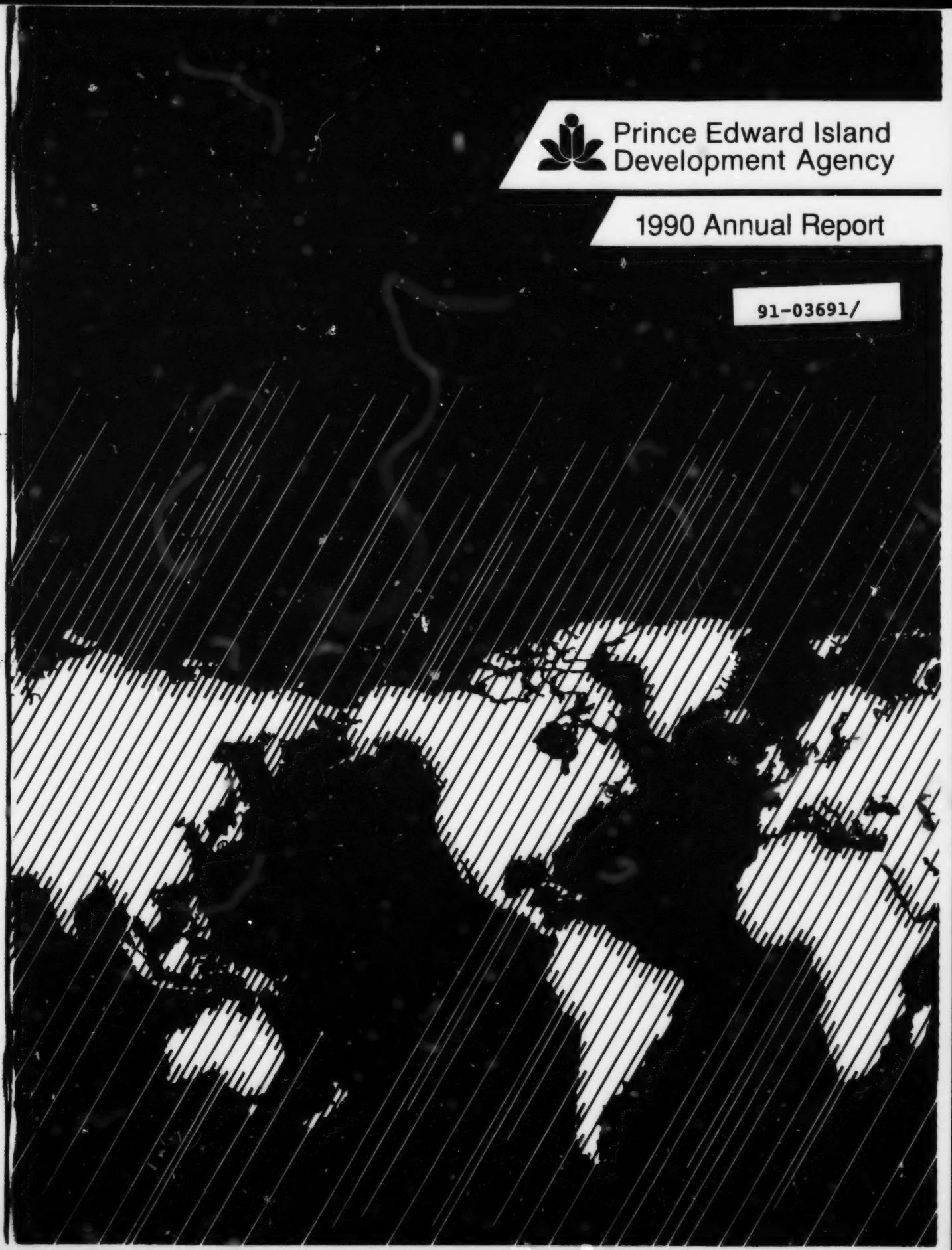
Prince Edward Island Development Agency

1990 Annual Report

91-03691/



Corporate Mandate and Objectives

The Prince Edward Island Development Agency is a provincial crown corporation established in 1984 with the proclamation of the Prince Edward Island Development Agency Act.

The role of the Agency is to stimulate the growth of economic development and create long-term jobs by promoting new and expanded business. This role is carried out through the conduct of vigorous business development activities and provision of a wide range of financial, marketing, and property management programs and services.

The Board of Directors of the Agency is chaired by the Minister of Industry and includes ten private-sector business leaders. In addition to the partnership of the public and private sectors, as represented by the Board, each of the Agency's three operating divisions is supported by an advisory committee from the private sector.

More specifically, the Agency's overall objectives are to develop, sustain and improve business activity in the province and to promote Prince Edward Island as a location for new or expanding economic activity. The Agency's three divisions carry out specific activities related to these objectives.

The Business Development Division seeks and encourages firms to locate in Prince Edward Island and encourages the expansion and modernization of existing business.

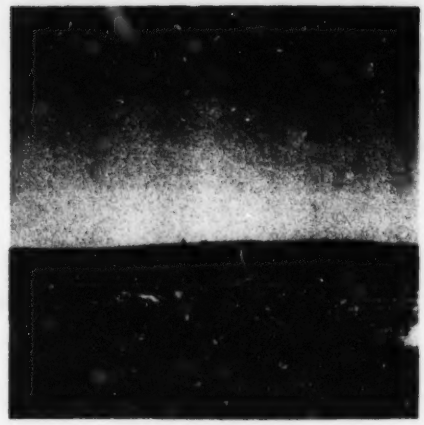
The Finance Division encourages the startup and expansion of manufacturing enterprises and diversification of the Island's economy through the provision of financing, financial incentives and industrial facilities.

The Marketing Division assists in increasing the market share for Island producers, processors and manufacturers of local, national and international markets for the Island's natural and manufactured products and associated services.

Overview of Prince Edward Island

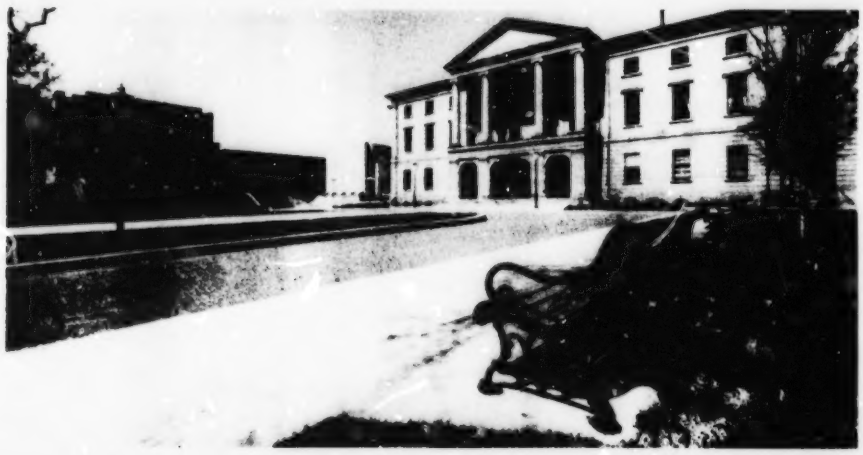
Prince Edward Island is Canada's smallest province, but it has the biggest heart. Seven hundred thousand visitors return each season to enjoy warm hospitality and top notch hotels and restaurants.

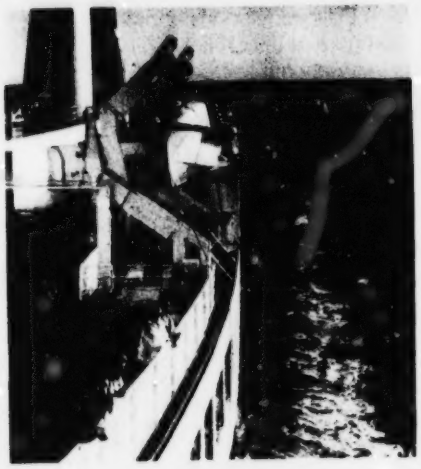
This 50 million dollar a year Tourist Industry provides an infrastructure for leisure and recreation that translates into a relaxed life-style for business people who live and work here on "The Island".



Islanders love to play but they love to work more. With a population of 128,000, Prince Edward Island boasts a stable and versatile work force with one of the best labor-management records in Canada. Skilled workers train at Holland College in specifically designed programs in relevant technologies with government financial support.

The Prince Edward Island Development Agency actively serves the business community to ensure access to appropriate government incentives as well as private capital.





Prince Edward Island is in a unique situation in terms of the lucrative American consumer market.

"The Island" is served by major airlines, and trucking companies which deliver Island made products to a market of 100 million people within about one thousand kilometres. And added to this feature, the Island is rich in natural resources with very fertile land and the sea all around.

The Prince Edward Island Food Technology Centre recently opened its doors to the agricultural and fisheries sectors with a mandate to develop new food products and processes to add value to the Island's natural resources. Entrepreneurial opportunities are limitless and generous government incentives will assist Island enterprises in the revolution that promises to change the way North Americans think about the food they eat. The 1990's will prove to be most interesting for development in the areas where Prince Edward Island is most richly endowed.

The Hon. Robert Morrissey, Minister of Industry, invites you to join in this commitment to add value to our natural resources.

Hon. Robert Morrissey
Minister of Industry

Report of the Chief Executive Officer

With the beginning of the 1990's, Prince Edward Island is approaching a period of increasing change, challenge and uncertainty. Major external issues affecting us include international competitiveness, a gloomy national economic forecast and consumers becoming much more sophisticated and demanding.

The 1989/90 year has, to some degree, been a period of learning for me — both with respect to the Agency and its mandate plus its clientele. With our small size we cannot control or dominate a particular market within the global economy. However, this same small size means we can react more quickly to identified opportunities and problems as has been demonstrated with the efforts of staff involved with projects such as the potato processing plants, lobster product glut, pending closure of CFB Summerside, and assistance in the turnaround of troubled companies. The importance of this quick action has been confirmed on a number of occasions by clients in new and existing businesses.

While the Agency's efforts in working with troubled companies has seen some success, it does seem sometimes that a disproportionate amount of time is spent on these situations rather than being pro-active in identifying, exploiting and developing new opportunities. Agency management are concerned about this matter and will continue efforts to devote more time to proactive activities.

In view of the external and internal factors facing Agency staff and directors, several challenges can be defined for us to address during the coming year. These issues include:

- balancing financial risk with employment opportunities and maintenance;
- obtaining sufficient Marketing funding via new long term agreement with Canada; and
- helping Island manufacturers become more competitive so they may successfully compete in an increasing competitive (and more rapidly changing) world.

I have generally focused my comments on the future activities of the Agency as the Executive Directors have provided details on their respective activities in 1989/90 through their individual reports. From my comments and the reports of the Executive Directors, it can be seen that the 1989/90 year at the Agency has been a very busy one in assisting new firms, as well as working with troubled companies in turnaround efforts. No two weeks at the Agency are the same and it is not expected that this will change in the future. Staff and directors have worked hard to make this a successful year in spite of significant difficulties and challenges encountered and I very much appreciate these efforts. To all, many thanks for your continuing efforts on behalf of our clientele and in welcoming me to the Agency.

Respectfully submitted,

Ginger Breedon
Chief Executive Officer

Agency Services

Business Development

- Industrial prospecting identifies and assists new business to locate in Prince Edward Island.
- Assists potential business to move to Prince Edward Island, and existing companies to expand on the Island. Financial assistance can be sourced from the private sector as well as via government incentives. The Business Development Division puts the prospective company together with the most appropriate source of capital.
- Co-ordinating service facilitates the entry of the new company into Prince Edward Island with introductions to the local business community, locating suppliers and staffing and attention to start-up details. This service continues through this initial phase until it is no longer needed.

Property

- Provides suitable facilities for new enterprises at reduced rates during start-up in the West Royalty and Summerside Area Industrial Parks owned and operated by the Agency.
- Provides new and expanding industries in all areas of the province with rental incentives similar to those available in the Agency's industrial malls.
- Provides serviced industrial sites for sale at rates below market value to manufacturers and processors for the construction of industrial facilities.

Marketing

Resource Information

- Provides marketing research services which identify new or increased sales opportunities in local, national and international markets.

Market Organization

- Assists primary producers, processors and manufacturers in the formation and maintenance of associations, commodity boards and other marketing organizations.
- Provides assistance to upgrade marketing skills and take better advantage of marketing opportunities.
- Provides the support required to formulate short and long term marketing plans and assist in their implementation.

Marketing Promotion

- Provides advertising and promotion assistance to advertise and promote both companies and their products in an effort to maximize sales.
- Assists both the preparation and attendance at product trade shows leading to the development and establishment of domestic and foreign market contacts.

Market Development

- Assists in generating sales of Prince Edward Island manufactured and processed products.
- Provides assistance for the development and evaluation of new or improved products and processes to expand production and markets.

Finance

Equity

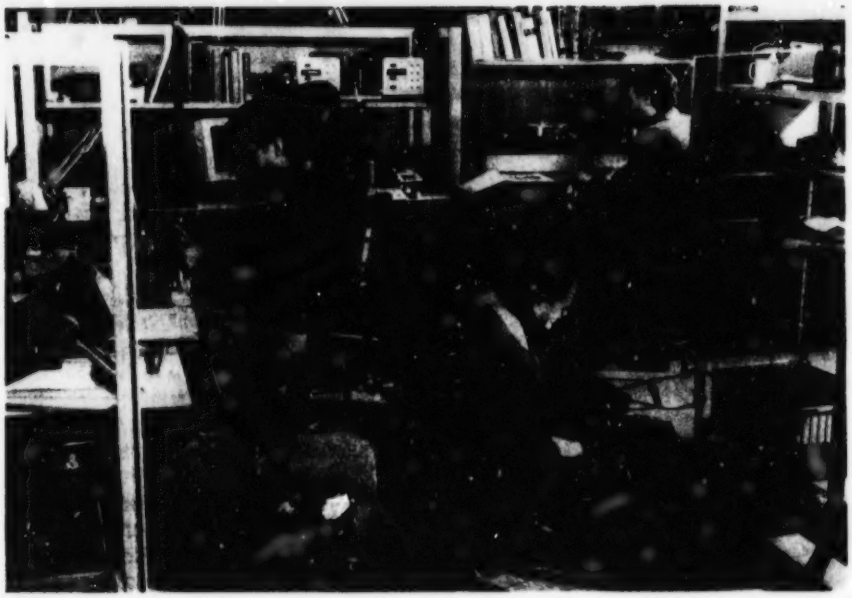
- Provides cash grants of up to 20 percent and in special circumstances 30 percent, to eligible investors and Small Business Development Corporations to assist entrepreneurs in attracting private capital through the Equity Investors' Incentive program.

Loans

- Provides manufacturers and processors with financing of capital assets which are directly associated with production facilities.

Other

- Provides a financial incentive to manufacturing and processing companies to create new employment opportunities under the Job Creation program.



Operational Review

Regular marketing activity, planning and effort was somewhat disrupted and reduced through 1989-90 due to a lack of funding created by the expiration on March 31st, 1989, of the 5 year ERDA Marketing Sub-Agreement.

To provide continued activity, Provincial and Agency officials negotiated an interim $485,000 for Marketing programs which, when combined with carry-over project dollars from the expired agreement, allowed PEIDA Marketing to operate with about half of its regular available assistance. PEIDA Marketing has always offered to Island clients both cost-shared assistance dollars and staff expertise. With dollars reduced, staff have made a greater effort at being pro-active which has added to marketing knowledge at the client level but curtailed actual promotional efforts.

Through the year the PEIDA Marketing effort, including handcraft assistance, served a total of two hundred and fourteen (214) clients, providing cost-shared assistance through four hundred and seventeen (417) approved marketing projects which utilized a total of $776,190. This coverts, with traditional average client input of 60%, into a total marketing effort of almost $2,000,000. This figure, although substantial, reflects a promotional reduction for Island manufacturers and processors of almost 50%.

Sector activity adjusted slightly through 1989-90 reflecting market and inventory conditions. 34% of cost-shared funding was directed to the industrial sector, fisheries received 32%, agriculture 28% and the balance was utilized for general marketing projects.

To accommodate the reduced funding, new and temporary policies were implemented providing lower assistance levels to longer term clients and, in some cases, basing assistance on proof of need. These interim policies assisted greatly in keeping PEIDA Marketing on budget but in the long term negated many important and necessary marketing efforts.

The following is a brief outline of PEIDA Marketing activities for the year outlined in our 1989-90 Operational Plan.

Evaluation Recommendations

The independent evaluation of our expired ERDA Marketing Sub-Agreement, although very positive, made recommendations which we initiated in 1989-90.

(1) An increase in staff pro-activity was not only initiated but was accented due to funding constraints imposed.

(2) PEIDA Marketing itself held and conducted more regional client information meetings, seminars and public speaking engagements as opposed to the routine distribution of literature.

(3) Greater use was made of individual project evaluations. This led to more efficient marketing efforts, especially in the area of trade shows and the methods of moving distressed and surplus inventories.

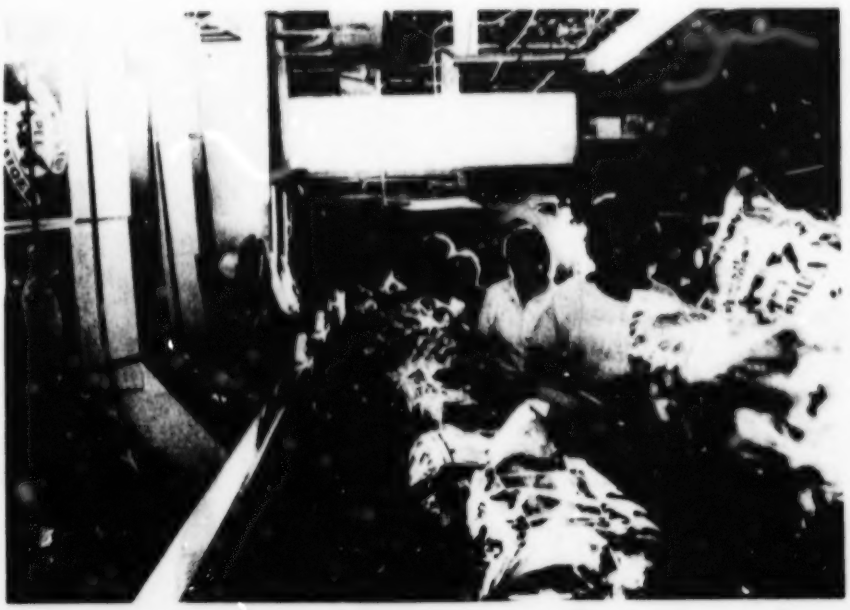
MARKETING DIVISION

"Anne" Products — Registration Rights

Industry concerns regarding the registered rights to manufactured products in the "image" of Anne of Green Gables continued through 1989-90 with PEIDA Marketing maintaining a liaison role between the legal factions discussing the matter and the industry itself. In this regard many meetings and discussions were held and PEIDA received national attention when the subject was highlighted on the CBC business show "Venture". At year end the Provincial position of defending Island manufacturers is established and the subject is relatively dormant.

Free Trade / Europe 1992

Prince Edward Island processors and manufacturers continue to be both concerned and excited about the implications of the Canada/US Free Trade Agreement and the future of opportunities in dealing with Europe after 1992. PEIDA Marketing have been working closely with both Provincial and Federal Trade offices in providing education through organization of, and attendance at, seminars leading to both the provision of required Quality Assurance and the knowledge to maximize trade opportunities.



Resource Center

The Marketing Resource Center has served a stronger purpose through 1989-90 both in the assembly and containment of market information, and in the use of that information for clients. Through the year our Resource Center has remained on top of technological change in marketing and has co-ordinated, contracted and produced a great number of valuable market research studies, business and marketing plans.

General

Prince Edward Island Development Agency Marketing was honored in 1989-90 as recipients of an international award for marketing excellence. The award, announced in the fall of 1989 by the large U.S. based publication, "Seafood Business", is the only one of its kind awarded annually and was earned by PEIDA Marketing for "the outstanding marketing effort in the co-ordination of promotion leading to the recovery of the devastated mussel industry on Prince Edward Island following the national demoic acid scare".

Because of negotiation slowdown and the potential of a shorter term agreement we have had to delay some of our aggressive objectives for 1989-90. These include a long overdue policy and program review, increasing effort in the service sector and a move into more "Direct Marketing" which indications are will be a promotion wave of the 90's.

PEIDA Marketing continues to receive compliments for effort and our strengths remain our experienced and competent staff, our trade show expertise and our constantly updated knowledge of the marketplace. The fact that "everyone is a marketing expert" somewhat alters efforts but our credibility and the results we achieve continues to prevail.

At year end our Province and the Federal Government, through the Atlantic Canada Opportunities Agency, have signed an 18 month Marketing Cooperation Agreement retroactive to April 1st, 1989 and ending on September 30th, 1990. A new study is underway to discern a Provincial Marketing direction for the 1990s. With a successful history of accomplishment, and an ability to adapt readily to ever changing world market conditions, PEIDA Marketing will be expected to play a major role in the implementation of that planning.

Considering that new negotiations toward a long term Federal/Provincial Marketing Cooperation Agreement will be initiated shortly, it is important to note the value of this program to Prince Edward Island processors and manufacturers as we move into a new and rapidly changing decade. The marketing of Prince Edward Island products is subject to many new pressures that require expertise and education; the Free Trade Agreement, Europe 1992, fiercely increased world competition and the GST. Education will be of prime importance both technically and practically. We must swim with, and not against, the currents of change. This will be our future mandate and we solicit the support of our staff, Committee and Board to accomplish it.

It has been a pleasure to work with Ginger Breedon as Agency CEO, Hon. Robert Morrissey, the Board of Directors of PEIDA and Chairman Tom Cullen and our Marketing Committee.

Operational Review, Finance Division

1989-90 was a year of continued and sustained activity for the Finance Division. In the past year 108 applications were processed and approved, comparably equal to that of the previous year which saw 104 applications processed and approved. In terms of incentives, there continues to be a strong demand for incentives under the three main programs: Job Creation, Equity Investors' and Rental Incentive; 72 applications were approved providing for incentives of $2,728,607. In the previous year, an equal number of applications were approved for a total of $1,904,319; this represents a 43% increase in total dollars approved. This marked increase in total dollars approved is noted in the Job Creation Incentive approvals where a total of $1,246,925 was approved compared to the previous year's $528,608. This can be directly attributed to the policy changes made by ACOA which significantly reduced contributions under its Action Program. Consequently, this development resulted in large uptake of the Job Creation Incentive, and to a lesser extent, the Rental Incentive Program. The Equity Investors' Incentive Program also proved to be a popular program as rebates resulted in attracting over $4,000,000 of private equity capital financing for PEI businesses.

The remaining 35 applications approved during the year were in respect to providing financing. This took the form of loan guarantees (either new approvals or renewals of guarantees approved in previous years), term loans, bridge loans or equity investments to 27 different businesses. The total amount approved was $28,572,500 compared to $25,795,500 provided to 20 businesses in the previous year.

In large part, financing activity in the past year was focused on the Fishery Sector which experienced a troubled year and resulted in a number of plant closings. This is graphically illustrated in Sector assistance wherein over 55% of all financing activity related to the Fishery Sector. In an effort to assist in re-starting two plants, financing was approved which amounted to over 70% of the new loan guarantee approvals. Furthermore, approximately 85% of assistance provided for the purpose of refinancing was attributed to assisting existing seafood processing plants primarily in the form of renewals of existing loan guarantees.

Operational Review

As in the past years, the Business Development Division worked with both local and out-of-Province business interests to develop and establish new operations in Prince Edward Island.

In terms of new business, staff worked very closely with the establishment of Porta-Flex Products (P.E.I.) Ltd. This new company purchased the assets of Island Metal Fabricators Ltd. The existing skilled staff of I.M.F. were hired along with an additional 12 employees. The current products manufactured in this operation are equipment for the fish and food processing businesses, as well as components for the manufacture of elevators and escalators. The future for this company looks very good.

In another example of a combination of local and out-of-Province firms, the Business Development staff, on behalf of the management of Advanced Medical Technologies (1988) Inc., were able to negotiate a six month management agreement with an option to purchase the assets of AMT 88 with a United States based company called Health-Mor Inc. of Chicago; thereby keeping the Company operating and the 40 employees employed. This six month management agreement was successful and Health-Mor Inc., at the conclusion of the management agreement, purchased the assets of the Company.

In October 1989, Matrix (PEI) Inc., a manufacturer of electronic equipment, advised that it would cease operation on P.E.I., eliminating 37 jobs. The Business Development Division staff were instrumental in encouraging Imapro Inc. to establish a new facility in the Province to minimize the impact of the Matrix move. The new facility commenced operations in January with 11 employees and it is projecting to employ 22 by the third year of operation.

BUSINESS DEVELOPMENT DIVISION

A number of presentations were made to various business individuals and groups over the last year. One such presentation to Steel Case Canada Ltd. resulted in the establishment of a small office equipment manufacture located in the West Royalty Industrial Park employing 5 people in their first year of operation.

Business Development Division staff have been involved in the Federal-Provincial committees and the Task Force established after the announcement of the Canadian Forces Base Summerside closure. Numerous inquiries and leads have been acted on, and staff have actively assisted federal government efforts to identify future uses. PEIDA has been negotiating a contract to engage aviation specialist AVMARK to conduct a major feasibility study on the base, and discussions are underway with several potential aviation clients.

A project to determine the feasibility of processing fish waste and other industrial by-products was initiated. Slaughterhouse by-products, cheese whey and potato waste are under consideration as raw materials. A number of potential private sector participants have been identified, and a study to confirm fish waste availability will be undertaken. A report will be submitted to the Minister early in the next fiscal year.

In January, staff arranged and participated in a Ministerial led mission to Hong Kong and Taiwan. The purpose of the mission was to determine the opportunities in the investment field as well as the potential for attracting entrepreneurs to the Province. The mission was to evaluate and determine the effectiveness of the current representation that the Province has through the representation provided by the Council of Maritime Premiers. The mission was very successful and with the cooperation of Enterprise P.E.I. a Provincial strategy was developed and adopted by the Provincial Cabinet. This strategy is to be implemented in June of this year.

The number of jobs retained or newly created as a direct result of activities by staff of the Business Development Division over the past year was 170. The breakdown between newly created and retained is 93 new jobs and 77 jobs retained. The total capital investment as a result of Business Development Division activities was $7,065,800.

Property and Facilities
Demand for the incubator mall units in the Summerside Area Industrial Park and the West Royalty Industrial Park remained high. In Summerside, 2,125 sq.ft. was leased to Cavendish Figurines Ltd. bringing the occupancy in the Summerside Area Industrial Park to 100%.

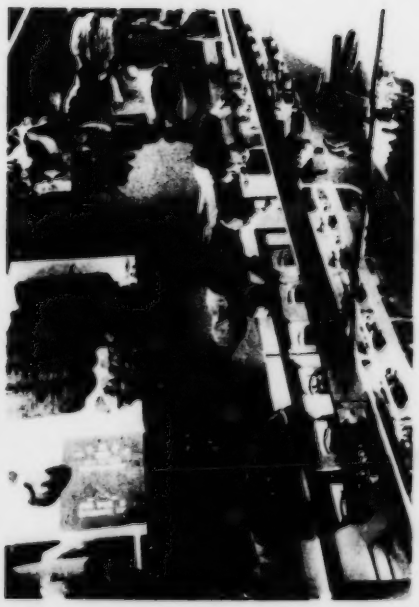
In the West Royalty Industrial Park, leases were finalized with five new firms. Although there was one vacancy in the Park at year end, applications being considered will again bring the occupancy to 100%.

The Business Development Division approved the sale of 11.1 acres of land in the West Royalty Industrial Park to five firms and a 1.2 acre parcel of land in Summerside. Three buildings were constructed by private firms in the West Royalty Industrial Park for a total of 19,500 sq.ft. and one building (1,860 sq.ft.) was erected in the Summerside Industrial Park.

A review of land prices in the two industrial parks was completed during the year. The price of fully serviced lots was set at $30,000 per acre in West Royalty and $8,000 per acre in Summerside.

The failure of the well pump that services the West Royalty Industrial Park occurred on September 16, 1989. As a result, a new well pump was installed and the electric and diesel fire pumps required overhauling. In addition, cathodic protection and a well monitor were added to our reservoir system. New sewage pumps were installed to overcome a reoccurring breakdown problem which existed for the past year.

An interim application for revised rates for the West Royalty Industrial Park water and sewage utility by the Public Utilities Commission resulted in a 10% increase in rates. A full application by the Commission is tentatively scheduled for July 1990.



Approved Financing to Establish or Expand Island Businesses

In Fiscal Year Ended March 31, 1990

	1990		1989	
	No.	$	No.	$
ECONOMIC SECTOR				
Agriculture	10	10,855,000	7	12,137,500
Fisheries	17	15,852,500	14	10,492,000
Industry	9	1,865,000	11	3,166,000
	36	28,572,500	32	25,795,500
SIZE OF APPROVAL ($)				
0 - 49,999	2	45,000	4	67,000
50,000 - 99,999	9	622,500	2	161,000
100,000 - 249,999	6	650,000	4	1,500,500
250,000 - 499,999	9	3,205,000	9	1,235,000
500,000 - 1,000,000	2	1,300,000	4	2,632,000
Over 1,000,000	8	22,750,000	9	20,200,000
	36	28,572,500	32	25,795,500
TYPE OF ASSISTANCE				
Guarantee	17	13,997,500	12	9,420,000
Term Loan	11	11,630,000	11	12,960,500
Other (Bridge Loans)	7	2,845,000	5	495,000
Equity	1	100,000	4	2,920,000
	36	28,572,500	32	25,795,500
PURPOSE OF FINANCING				
Establish new business	15	8,460,000	4	267,000
Expand existing business	8	11,037,500	4	8,923,500
Refinance existing business	13	9,075,000	24	16,605,000
	36	28,572,500	32	25,795,500

Approved Financial Incentives to Establish or Expand Island Businesses

In Fiscal Year Ended March 31, 1990

	1990		1989	
	No.	$	No.	$
ECONOMIC SECTOR				
Agriculture	10	740,242	3	160,500
Fisheries	6	136,550	6	277,513
Industry	56	1,851,815	63	1,466,306
	72	2,728,607	72	1,904,319
SIZE OF APPROVAL ($)				
0 - 4,999	14	41,329	17	40,005
5,000 - 9,999	13	98,259	20	144,068
10,000 - 24,999	20	308,496	20	310,568
25,000 - 49,999	15	475,923	6	214,678
50,000 - 100,000	0	0	4	270,000
Over 100,000	10	1,804,600	5	925,000
	72	2,728,607	72	1,904,319
TYPE OF ASSISTANCE				
Equity Investors' Incentive	18	988,250	19	1,019,038
Job Creation Incentive	20	1,246,925	18	528,608
Rental Incentive & Mall Program	34	493,432	35	356,673
	72	2,728,607	72	1,904,319
PURPOSE OF INCENTIVE				
Establish new business	31	1,735,988	36	1,259,108
Expand existing business	41	992,619	34	587,211
Refinance existing business	0	0	2	58,000
	72	2,728,607	72	1,904,319

Approved Marketing Assistance to Develop and Expand Markets for Island Products

in Fiscal Year Ended March 31, 1990

	1990		1989	
	No.	$	No.	$
ECONOMIC SECTOR				
Agriculture	43	159,400	73	310,225
Fisheries	46	179,415	102	238,835
Industry	134	198,600	244	588,930
General	26	33,300	47	158,500
Handcraft - General	60	117,388	95	149,267
- Prince Co. Pilot Project	108	88,087	0	0
	417	776,190	561	1,445,757
SIZE OF APPROVAL ($)				
0 - 49,999	391	418,455	535	851,857
50,000 - 99,999	13	83,635	5	31,600
100,000 - 249,999	9	116,100	9	112,200
250,000 - 499,999	4	158,000	12	450,100
500,000 - 1,000,000	-	-	-	-
Over 1,000,000	-	-	-	-
	417	776,190	561	1,445,757
TYPE OF ASSISTANCE				
Advertising and Promotion	78	180,175	99	199,145
Market Development	16	17,400	81	139,945
Market Organization, Education and Management	17	13,355	44	99,225
Market Research	14	21,800	27	72,150
Product Development	43	74,495	73	165,800
Specialized Market Assistance	9	129,850	15	344,625
Trade Shows	72	133,640	127	275,600
Handcraft - General	60	117,388	95	149,267
- Prince Co. Pilot Project	108	88,087	0	0
	417	776,190	561	1,445,757

Businesses Assisted

In Fiscal Year Ended March 31, 1990

A.C.E. Welding, West Royalty
A.F. Enterprises International Ltd., West Royalty
Acadian Fishermen's Co-op, Abram's Village
Acadian Pioneer Village Handcraft, Wellington
Adam's Distributors, Bloomfield
Advanced Medical Technologies Inc., West Royalty
Al's Homestyle Sausage, Cornwall
Allman, Jill, Hunter River
Anita's Quilting, Wellington
Ap-Chem Inc., West Royalty
Aqua Health Limited, West Royalty
Arvi, Kai Johan, Charlottetown
Arsenault, Alfreda, Cape Egmont
Arsenault, Robert D., Summerside
Association des Tisserandes, Abram's Village
Atlantic Fish Specialties Ltd., Parkdale
Atlantic Isle Gourmet Pasta, Charlottetown
Atlantic Panel Systems, West Royalty
Attic Cresting Inc., West Royalty
Baby Safe Inc., Harrington
Bar Island Corp., Murray Harbour
Bayside Contracting, Richmond
Beach Point Fishermen's Co-op, Beach Point
Bee Mine, O'Leary
Beinn Mara Apairies, Charlottetown
Bennett, Esther, Souris
Bernard, Alvina, Wellington
Burns Poultry Farms, Freetown
C & L Seafoods, Beach Point
Cabinet Master, Charlottetown
Cam-Cur Ltd., Kensington
Campra, Summerside
Canadian Clear Pure Water Company, Charlottetown
Career Fashions, Montague
Cass Craft of P.E.I., Meadowbank
Cavendish Figurines, Summerside
Chaisson, James, Summerside
Chameleon House, Miscouche
Charlottetown Area Chamber of Commerce, Charlottetown
Charlottetown Metal Products, Milton
C. Mills Fiberglass, Montague
Coles Door Systems, Winsloe
Col-Mar Crafts, Summerside
Compu-Covers, Charlottetown
Condon, Freda, Brackley
Cork Can Inc., Iona
Co-operative D'Artisanat, Abram's Village
Country Land Craft Shop, Borden
Crabapple Cottage, Summerside
Creative Esthetics Orthodontic Laboratory, West Royalty
Crispin Cones, Summerside
Croston, Christopher, Mermaid
Culture Craft Co-op, Richmond
Custom Signworks, Charlottetown
Cytrigen Energy Products & Services Ltd., Summerside
Darmac Industries, O'Leary
Debco, Albany
Dick & Jane Diapers, Charlottetown
Dixon, Inez, Souris
Drake's Truck Box Sales, Vernon Bridge
Durabelt Inc., Montague
Early Bloomers, Wood Island West
East Coast Doors, East Royalty
Eastern Seagulls Arts & Crafts, Souris
Eastern Shellfish Cleansing, Annandale
Edward Gallant & Sons (1989) Ltd., Miminegash
Egmont Bay Seafoods, Wellington
EPTEK National Exhibition Centre, Summerside
E.S.I. Canada Inc., West Royalty
Fashion Manufacturing Council of PEI, Charlottetown
Ferncrafts, Cornwall
Fine Food Investments Ltd., West Royalty
Fulton Hammill Ltd., Albany
Gains Creek, Ellerslie
Gallant, Adelard, Cape Egmont
Garden Province Meats (1985) Inc., Charlottetown
Gemini Screenprint, Charlottetown
Georgetown Timber, Georgetown
Geppeto's Workshop, Kensington
Glen William Greenhouses, Glen William
Graphic Communications, West Royalty
Great Northern Knitters Inc., West Royalty
Green Acres Produce Ltd., Woodstock
Gulf Island Peat Moss, Foxley River
Gulfstar Chemicals Inc., Hunter River
Hall & Stavert Ltd., West Royalty
Health Pasteurized Milk Co. Ltd., Hunter River
Hesperus Pottery, Cornwall
H.F. Stewart & Co. Ltd., West Point
Imperial Ambulances Outfitters Ltd., Summerside
Imapro Corporation, West Royalty
In Sight Productions Inc., Charlottetown
Integrated Aquatic Systems Ltd., Brookvale
I-Tek Engineering, West Royalty
Island Control, Charlottetown
Island Farm House Gouda, Winsloe
Island Fuel Injection, Summerside
Island Hay & Straw Co-op, Rusticoville
Island Ideas Unlimited, O'Leary
Island Identity, Little York
Island Media Arts Co-op, Charlottetown
Island Metal Fabricators Ltd., West Royalty
Island Organic Co-op, Belle River
Island Packaging Co. Ltd., Pownal
Island Saltfish Inc., Desable
Island Windcraft, Breadalbane
J & S Concrete Lawn Ornaments, Albany
Jacks Quality Meats, Summerside
Jo & Co, Summerside
J.L. Fibreglass, Coleman
Johnston's Home Style Products Ltd. West Royalty
Kerrytown Knits, Kensington
Kings Forestry Co-op, Cardigan
Kirkwood Cabinets, Pleasant Grove
La Cooperative Les P'tits Acadiens Ltee., Abrams Village
La Couture Acadienne Soureante, Tignish
Lady's Slipper, Miscouche
Larder, Alan, Miscouche
Les' Doigts Magiques, Wellington
Les Main Travaillantees, Wellington
Lisa's, Summerside
Lobster Specialties Ltd., Summerside
MacAusland Woolen Mills, Bloomfield
MacCardle Brothers Ltd., Kinkora
MacDonald, Harvey, Cymbria
MacKay, Fenton, North Milton
MacKay, Gail, Ellerslie
MacLean, Lillian, West Point
MacLellan, Martha, Indian River
Madsen's Maple Products, Summerside
Martin MacRae Woodworking, St. Edwards
MGR Distributors, Souris
Mobile Land & Marine, Cardigan
Montague Bakery, Montague

Montague Dairy Ltd., Montague
Murray Harbour Seafoods Inc., Murray Harbour
Neen's Island Preserves, Kensington
Norman Bernard Couture, Charlottetown
Norm's Woodworking, St. Eleanors
North Ocean Enterprises Ltd., Souris
Northern Telecom Canada Inc., West Royalty
Northumberland Paints, Charlottetown
Northumberland Seafoods Ltd., Charlottetown
Oatway, Randy, Summerside
Onyx & Marble Sculptures, Bedeque
Oriental Egg Rolls, Murray River
Padinox Inc., West Royalty
Paint Box Collection, Montague
Palmer Manufacturing, Charlottetown
PEI Potato Chip Co-operative, Urbainville
PEI Preserve Company, New Glasgow
PEI Mussel Mud, Winsloe
PEI Wood Crafts, York Point
Pfefferle, Kerry, Belle River
Peruna Canada Cosmetics Ltd., Bonshaw
Pioneer Fisheries, Tignish
Polar Productions & Sports Consultants Inc., Charlottetown
Porta-Flex Products (PEI) Ltd., West Royalty
Precision Products & Services Ltd., West Royalty
Prestige Farms (1988) Inc., Milton
Prince Edward Cards Ltd., Charlottetown
Protronex Industries, West Royalty
Quackers Leadcraft, Summerside
Queens County Blacksmith Shop, Vernon Bridge
Rag-a-Muffin Designs, Charlottetown
Ragweed Press, Charlottetown
Reddin, Aggie Rose, Summerside
Rivus Inc., Charlottetown
Rochefort, Dianne, Alberton
Rollo Bay Motel, Rollo Bay
Rum Runner Ocean Products, Cardigan
Rustic Dreams, North Rustico
Salt Box Factory, The, Basin Head
Sentner, Marilyn, North Wiltshire
Sewco, West Royalty
Shaw Doors Inc., Stanhope
Shoreline Sweaters, Tyne Valley
Sherk, Patricia, Charlottetown
Sign Station, Summerside
Silver Fox Curling Club, Summerside
S & M Sheet Metal Works, Summerside
Societe Saint Thomas D'Aquin, Summerside
Sound Ventures, Charlottetown
Souris Buttercup Dairy, Souris
Souvenir Doll Manufacture, Miscouche
Stanley, Malcolm, Breadalbane
Studio 27, Summerside
Summerside Sea Products Ltd., Summerside
T & K Fire Equipment, Parkdale
Tech Holdings Inc., West Royalty
Tech Rep. Ltd., Charlottetown
Tignish Fisheries Co-op Association, Tignish
The Finishing Touch Wood Crafts, Cornwall
The Village Weavery, Southport
Usen Fisheries, Souris
Victoria Seafoods, Victoria
Virginia Star Designs, O'Leary
Walker, Trudy, Southport
Warwick E., Cornwall
Wee Care Diaper Services Ltd., Bunbury
West Point Lighthouse Craft Guild, West Point
West Royalty Industrial Park Business Club, West Royalty
W.V. Gallant Welding, Summerside
Wood Charm Jewellery, Breadalbane
Wood n' Things, Charlottetown
Wooly Wears, Montague

Commodity Boards, Marketing Boards, Associations and Government Departments Assisted

In Fiscal Year Ended March 31, 1990

Holland College School of Visual Arts
Holland College Fashion Technique & Design
Prince County Wood Carvers Guild
Prince Edward Island Civil Service Commission
Prince Edward Island Co-operative Development
Prince Edward Island Crafts Council
Prince Edward Island Division, Canadian Manufacturing Association
Prince Edward Island Department of Agriculture
Prince Edward Island Department of Industry
Prince Edward Island Egg Commodity Marketing Board
Prince Edward Island Farmers Market
Prince Edward Island Food Processors & Manufacturing
Prince Edward Island Hog Commodity Marketing Board
Prince Edward Island Lobster Processors
Prince Edward Island Mussel Growers Association
Prince Edward Island Oystermen's Association
Prince Edward Island Seafood Processors Association
Prince Edward Island Strawberry Growers Association
Prince Edward Island Women's Institute

Corporate Directory

Board of Directors

*Hon. Robert Morrissey
Sea Cow Pond
Minister of Industry and Chairman

Simon Arsenault
Southport
Business Executive

Lorin Brehaut
Murray Harbour
Meat Manager, S.D. Hugh Ltd.

*Warren Carragher
Summerside
Chartered Accountant

*Tom Cullen
Charlottetown
Vice President, Purity Dairy Ltd.

*Ginger Breedon
Bunbury
Chief Executive Officer, PEIDA
Deputy Minister of Industry

*Harry Lowther
Breadalbane
Business Consultant

Rod MacNeill
Tyne Valley
General Manager, Gulf Produce Co. Ltd.

Norma MacNeill
West Devon
Manager
West Prince Ventures Ltd.

Ken Moase
North Bedeque
President, Travellers Rest Mobile Homes

Dean C. Shaw
Charlottetown
Solicitor

Don Smith
Pownal
President & General Manager
Metro Building Supplies Ltd.

*Member of Executive Committee

Advisory Committees

Business Development

Harry Lowther, Chairman

Simon Arsenault, Vice Chairman

Lorin Brehaut

Warren Carragher

Tom Cullen

Finance

Warren Carragher, Chairman

Norma MacNeill, Vice Chairman

Harry Lowther

Rod MacNeill

Don Smith

Marketing

Tom Cullen, Chairman

Dean C. Shaw, Vice Chairman

Simon Arsenault

Lorin Brehaut

Ken Moase

Officers

Hon. Robert Morrissey
Chairman of the Board

Ginger Breedon
Secretary-Treasurer and
Chief Executive Officer

Ronald H. Atkinson
Executive Director, Marketing

Hillard MacKinnon
Executive Director, Finance

Donald E. Baker
Executive Director,
Business Development

J. Reagh Hicken, Controller

Auditor

Coopers & Lybrand
Chartered Accountants

Banker

Bank of Montreal

Photography: Barrett & MacKay
Camera Art
Gord Johnston
John Sylvester
Typesetting and Layout: Landis Design
Printing: Island Offset Inc.

Financial Statements

For the Year Ended March 31, 1990

AUDITORS' REPORT TO THE DIRECTORS

June 19, 1990

We have examined the balance sheet of Prince Edward Island Development Agency as at March 31, 1990 and the statement of operations for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Agency as at March 31, 1990 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS
Charlottetown, P.E.I.

Balance Sheet

As at March 31, 1990

	1990 $	1989 $
ASSETS		
Cash and short-term deposits	2,369,251	517,861
Accounts receivable	432,161	269,313
Loans receivable (note 4)	21,822,874	17,692,174
Property holdings (note 5)	8,102,756	5,733,940
Share investments (note 6)	1,015,280	11,425,478
Other investments (note 7)	3,890,002	4,290,002
Due from the Province of Prince Edward Island (note 8)		
- Provision for possible losses	11,448,437	12,944,503
	49,080,761	52,873,271
LIABILITIES		
Accounts payable and accrued liabilities	4,387,770	4,841,582
Due to the Province of Prince Edward Island (note 8)		
- Current operations	419,512	2,449,847
Notes payable (note 9)	44,265,179	45,573,542
	49,072,461	52,864,971
Contingent liabilities (note 11)		
EQUITY		
Contributed capital	8,300	8,300
	49,080,761	52,873,271

Signed on behalf of the Board

Director

Director

Statement of Operations

For the Year Ended March 31, 1990

	1990	1989
	$	$
REVENUE		
Grant from the Province of Prince Edward Island	15,842,800	14,720,000
Interest from borrowers and deposits	2,647,888	2,115,044
Rentals and recoveries from properties net of rental subsidies of $276,015 (1989 - $408,031)	468,806	483,272
Other	61,556	68,043
	19,021,050	17,386,359
EXPENSES		
Incentive programs (note 10)	3,211,068	3,092,635
Administration and business development	2,202,517	2,153,672
Properties	1,277,349	1,162,699
Interest on funds borrowed	3,820,451	2,411,305
Assistance to meat processing industry	1,744,896	1,749,401
Grant - F.T.C. Enterprises Limited	1,082,600	1,452,600
Grant - Environmental Industrial Services Inc.	2,000,000	-
Grant - Prince Edward International Ltd.	191,900	175,000
Provision for possible losses	5,169,110	6,745,601
	20,699,891	18,942,913
	(1,678,841)	(1,566,554)
OTHER INCOME		
Gain on disposal of investments	114,143	-
EXCESS EXPENSES FOR THE YEAR (note 8)	(1,564,698)	(1,566,554)

1. ACCOUNTING POLICIES

General
The financial statements of the Agency have been prepared in accordance with generally accepted accounting principles. The following is a summary of significant accounting policies used in the preparation of these financial statements.

Lease option
A building constructed for an industrial company is being leased with an option for the company to purchase the building after five years. This building is valued at the cost of the property plus capitalized interest, net of lease payments.

Provision for possible losses
A provision for possible losses is determined annually based on historical collection experience and a review of loans, guarantees, share investment portfolio and property held for resale. Interest revenue is not accrued for accounting purposes on loans when a write-off is anticipated.

The provision for possible losses is recorded as an amount due from the Province.

The Agency records as revenue the annual budgeted provision for current year's possible losses. Any variance of the actual provision from the budgeted provision is recorded as "Due From (To) The Province - Current Operations."

Share investments
(a) *Equity investments*
One-half of investments made under the small business equity program are included on the balance sheet as share investments. One-half of the investments approved are accounted for as an incentive program expense on the statement of operations. Any recovery exceeding the balance in share investments will be taken into revenue when received.

Other equity investments are accounted for by the cost method.

(b) *Investment in subsidiaries*
The Agency records the investment in wholly-owned subsidiaries, Ward Holdings Ltd, F.T.C. Enterprises Limited and Environmental Industrial Services Inc. using the cost method of accounting. In order to provide a more informative presentation of the operations of the Agency and since the Province has complete access to information of the subsidiaries and increases in the equity of the subsidiaries are likely to be reinvested in the subsidiaries and not accrued to the Agency, consolidated statements have not been prepared. As a result, some users may require additional information concerning the operations of the subsidiaries.

Property holdings and depreciation
Property holdings are valued in total at the lower of cost, net of government grants, and anticipated realizable value. Accumulated interest is included in the cost of industrial sites.

The industrial malls are depreciated using the straight-line method over 15 years or 25 years, the same period as the related debt is being retired. Office furniture and equipment are being depreciated using the straight-line basis over 3 to 5 years.

Other investments
The Prince Edward Island Development Agency purchased $3,862,000 in Class B preferred shares of Garden Province Meats Inc. relating to capital expenditures. These Class B shares are carried on the balance sheet at cost less accumulated amortization. The shares are amortized on the straight-line basis over ten years beginning in 1989.

In accordance with the agreement outlined in note 11, the Agency receives Class B preferred shares equal to contributions made. These Class B preferred shares are carried on the balance sheet at a nominal value of $1 with the investment expensed as assistance to meat processing industry.

Incentive programs
Incentive programs for the finance division are expensed and included in accrued liabilities when approved and accepted. Marketing division programs are recorded only when funds are disbursed, since the total amounts are not determinable when such programs are initially approved.

2. STATUS OF THE AGENCY

The Agency was incorporated as a Crown Corporation in 1984 pursuant to the Prince Edward Island Development Agency Act. The financial results of the Agency are included in the public accounts of the Province of Prince Edward Island.

3. ACQUISITIONS

During the year, the Agency required 100% of the common shares of a newly incorporated subsidiary, Environmental Industrial Services Inc., and disposed of its investments in Gemini Food Corporation and Prince Edward International Ltd.

4. LOANS RECEIVABLE

	1990	1989
	$	$
Principal	26,842,074	24,988,109
Interest accrued and receivable	703,851	445,812
	27,545,925	25,433,921
Lease options net of unearned lease revenue of $56,384 (1989 - $65,183)	108,701	114,362
	27,654,626	25,548,283
Less: provision for possible losses	5,831,752	7,856,109
	21,822,874	17,692,174

5. PROPERTY HOLDINGS

	1990			1989
	Cost $	Accumulated depreciation $	Net $	Net $
Industrial sites	481,378	-	481,378	505,314
Industrial malls	3,135,900	1,058,340	2,077,560	2,267,950
Office furniture and equipment	95,483	54,374	41,109	51,248
	3,712,761	1,112,714	2,600,047	2,824,512
Land, buildings and equipment held for resale or under lease purchase options			11,844,394	3,900,851
Less: provision for possible losses			6,341,685	991,423
			5,502,709	2,909,428
			8,102,756	5,733,940

6. SHARE INVESTMENTS

	1990	1989
	$	$
(a) *Share in private companies*		
Small Business Equity program	989,625	1,044,626
Other equity investments	2,300,454	6,500,452
	3,290,079	7,545,078
Less: provision for possible losses	2,275,000	4,095,000
	1,015,079	3,450,078
(b) *Investment in subsidiaries*		
Voting shares		
100 common shares - F.T.C. Enterprises Limited	100	100
100 common shares - Environmental Industrial Services Inc.	100	-
2,500 common shares - Ward Holdings Ltd.	1	1
100 common shares - Prince Edward International Ltd.	-	19,335
8,161,500 common shares Gemini Food Corporation	-	5,101,969
	201	5,121,405
Non-voting shares and debenture - Gemini Food Corporation		
286,100 convertible preferred shares	-	2,717,950
40,795 Class B shares	-	40,795
12% convertible debenture	-	95,250
	-	2,853,995
	1,015,280	11,425,478

(c) *Condensed financial data of subsidiaries is presented in note 13.*

7. OTHER INVESTMENTS

	1990	1989
	$	$
Garden Province Meats Inc.		
- Preferred shares relating to capital expenditures - at cost less accumulated amortization of $490,000 (1989 - $90,000)	3,372,000	3,772,000
- Preferred shares relating to operations - at nominal value	1	1
- Non-interest bearing interim loan	518,000	518,000
G.P.M. Limited Partnership - at nominal value	1	1
	3,890,002	4,290,002

8. DUE FROM (TO) THE PROVINCE

	1990 $	1989 $
CURRENT OPERATIONS		
BALANCE - BEGINNING OF YEAR	(2,449,847)	(1,655,064)
Repayment of previous year's excess	2,449,847	1,655,064
	-	-
Excess expenses for the year	1,564,698	1,556,554
Excess of current year's expense for possible losses over budgeted provision for possible losses	(1,984,210)	(4,006,401)
BALANCE - END OF YEAR	(419,512)	(2,449,847)
PROVISION FOR POSSIBLE LOSSES		
BALANCE - BEGINNING OF YEAR	12,944,503	7,243,061
Current year's expense	5,169,110	6,745,601
	18,113,613	13,988,662
Advance on current provision	3,000,000	-
Write-offs applied to reduce notes payable during the year	3,665,176	1,044,159
	6,665,176	1,044,159
BALANCE - END OF YEAR	11,448,437	12,944,503

9. NOTES PAYABLE

The notes payable are issued to the Province of Prince Edward Island and have various repayment terms and interest rates ranging from 10% to 13%.

10. INCENTIVE PROGRAMS

	1990 $	1989 $
FINANCE		
Equity investors incentive	(113,441)	989,582
Job creation incentive	945,596	142,990
Rental incentive	201,147	56,037
Small business equity	1,290,000	780,000
Venture capital	11,523	56,669
Other	-	(8,750)
	2,334,825	2,016,528
MARKETING		
Market and product development	102,486	214,307
Market research and information	39,229	87,455
Market promotion	319,414	283,430
Market organization	201,773	357,736
	662,902	942,928
HANDCRAFTS AND CULTURAL	213,341	133,179
	3,211,068	3,092,635

11 CONTINGENT LIABILITIES

(a) As of March 31, 1990, the Agency was contingently liable under loan guarantees in the amount of $8,288,496 (1989 - $11,392,582).

(b) Under an agreement including the Province of Prince Edward Island and Garden Province Meats Inc., the Agency was obligated to purchase Class B preferred shares of an amount equal to the net losses incurred in operating the meat plant until July 23, 1988. Subsequent to July 23, 1988, if in any eight-week period less than 4,500 hogs per week are delivered to the plant, a contribution based on costs and lost revenue associated with operating below 4,500 hogs is required. The contribution for the year ended March 31, 1990 amounted to $863,837 (1989 - $1,249,036). This obligation terminates at the earlier of December 31, 1995 or the date when G.P.M. Limited Partnership obtains a specified level of accumulated earnings.

12 COMMITMENTS

Loans and equity investments approved but not disbursed at March 31, 1990 amount to $3,233,000 (1989 - $3,327,000).

The Agency has approved loan guarantees of $4,250,000 (1989 - $508,000) which were not utilized at March 31, 1990.

The Agency is committed to cost sharing incentive programs with clients. As at March 31, 1990, the estimated expenditure under marketing commitments is $206,000 (1989 - $540,000) and under Finance commitments $289,000 (1989 - $105,000).

13 CONDENSED FINANCIAL DATA OF SUBSIDIARIES

Wholly-owned subsidiaries
The following is a summary of the combined and condensed financial data of the wholly-owned subsidiaries, F.T.C. Enterprises Limited, Ward Holdings Ltd. and Environmental Industrial Services Inc.

BALANCE SHEET

	1990	1989
	$	$
ASSETS		
Current assets	2,645,165	1,605,006
Fixed assets and other assets	2,930,367	555,592
	5,575,532	2,160,598
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities	102,335	282,650
Deferred credit	4,291,025	934,471
Shareholders' equity and contributed surplus	1,182,172	943,477
	5,575,532	2,160,598

STATEMENT OF INCOME

	1990	1989
	$	$
REVENUE	1,634,544	1,097,465
EXPENSES	1,443,612	1,087,510
NET INCOME FOR THE YEAR	190,932	9,955

Included in the $1,634,544 in revenue is a grant from the Prince Edward Island Development Agency of $1,012,600 (1989 - $872,345).